

Title: Analysts' earnings forecasts and non-financial disclosures

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Abstract: In this study, I examine how analysts process nonfinancial information and how this is affected by the patterns of firms' non-financial information disclosures. More specifically, I examine the association between analyst earnings forecast errors and the persistence of nonfinancial disclosures, both across information content and over time. The study focuses on firms in the wireless industry for the period 1997-2007. The results show that analysts tend to underreact to the information contained in customer acquisition cost, average revenue per user, and the number of subscribers. These are the performance measures that have significant predictive ability for future earnings of wireless firms. Distinguishing between firms on the basis of their nonfinancial disclosure patterns reveals that the above findings are driven primarily by firms with irregular disclosures. There is no evidence of analysts' inefficiency in evaluating the content of nonfinancial metrics provided by persistently disclosing firms. This implies that the lack of systematic disclosures of performance measures restricts financial analysts' ability to fully analyze the contributions of these metrics for future earnings.